

Brownfields Development – A Lender's Perspective

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**Finances environmentally impacted
properties on a regular basis**



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No Separate Fund for Financing Brownfields



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Critical Decision is:

Does the project make good credit sense?



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Successful Wachovia Transactions Involving Environmentally Impacted Properties



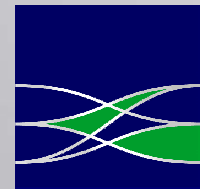
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Successful Wachovia Brownfield Projects

South End Project, Charlotte NC

Past use :	steelyard
Contaminants:	petroleum, solvents, chromium
Current Use:	restaurant and office space

Key to success: Great cooperation from NC DENR

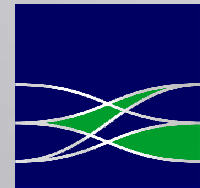


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Successful Wachovia Brownfield Projects

Shopping Centers: in Florida and Various Capital Markets Transactions

- Contaminants:** Dry cleaners, gas stations, auto repair facilities – solvents and petroleum
- Key to success:** Use of environmental insurance - owner and lender policies; higher premium if property is contaminated.



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Successful Wachovia Brownfield Projects

Former Foundry, Charlotte NC

Past use :	foundry, gas station, adjacent property was coal gasification plant
Contaminants:	solvents, metals, USTs, PAHs
Current Use:	restaurant/residential/retail/office space

Keys to success:

- Developer's urban expertise**
- Good brownfield agreement with NC DENR**
- Good consultant**
- Use of capping**



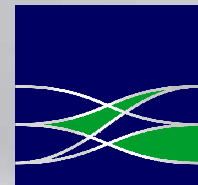
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Successful Wachovia Brownfield Projects

Old World War I Camp, Charlotte NC

Past use :	old World War I camp and textile facility
Contaminants:	petroleum, USTs, solvents
Current Use:	to be developed into industrial park for light manufacturing

Key to success: **Good Brownfield agreement with NC DEN**
 Good consultant
 Collateral Discount (later released)



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Successful Wachovia Brownfield Projects

Shockoe Bottom, Richmond VA

Past use :	tobacco manufacturing
Contaminants:	petroleum, USTs, solvents
Current Use:	residential/office

Key to success: Historic Preservation Tax Credits
Affordable Housing Tax Credits
Environmental Insurance



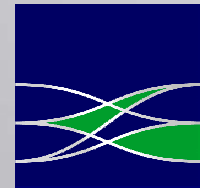
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Wachovia Brownfield Projects – in Process

Textile Mill, Georgia

Past use :	textile mill since early 1900s
Contaminants:	petroleum, solvents
Future Use:	residential lofts

Keys to success: Historic Preservation Tax Credits
Affordable Housing Tax Credits
Environmental Insurance
Brownfields Agreement
Capping



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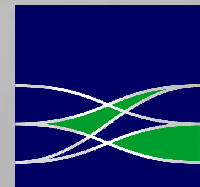
Tools Used to Mitigate Risk on Environmentally Impacted Properties



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Legal Tools

- **Brownfield Agreements with sitewide NFA letter**
- **Indemnifications**
- **Deed Restrictions**
- **Covenants Not to Sue (transferable)**



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Engineering Tools – Site Must be Well Delineated

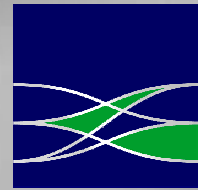
- **Additional Remediation**
- **Caps/Barriers**
- **Risk-based Assessment and Design**



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Financial Tools

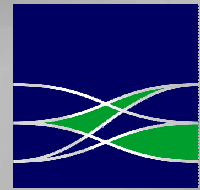
- **Escrows**
- **Collateral Discounts**
- **Guarantors**
- **Tax Credits**
- **Environmental Insurance**



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Environmental Insurance Tools

- **Secured Creditor Policies**
- **Owners' Policies**
- **Cost Cap or Stop Loss Policies**
- **Finite Risk Policies**



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Secured Creditor Policies

- **Transfer environmental risk to insurance company, protecting the bank from environmental problems with collateral.**
- **Provide customers with a faster, less expensive environmental due diligence option**



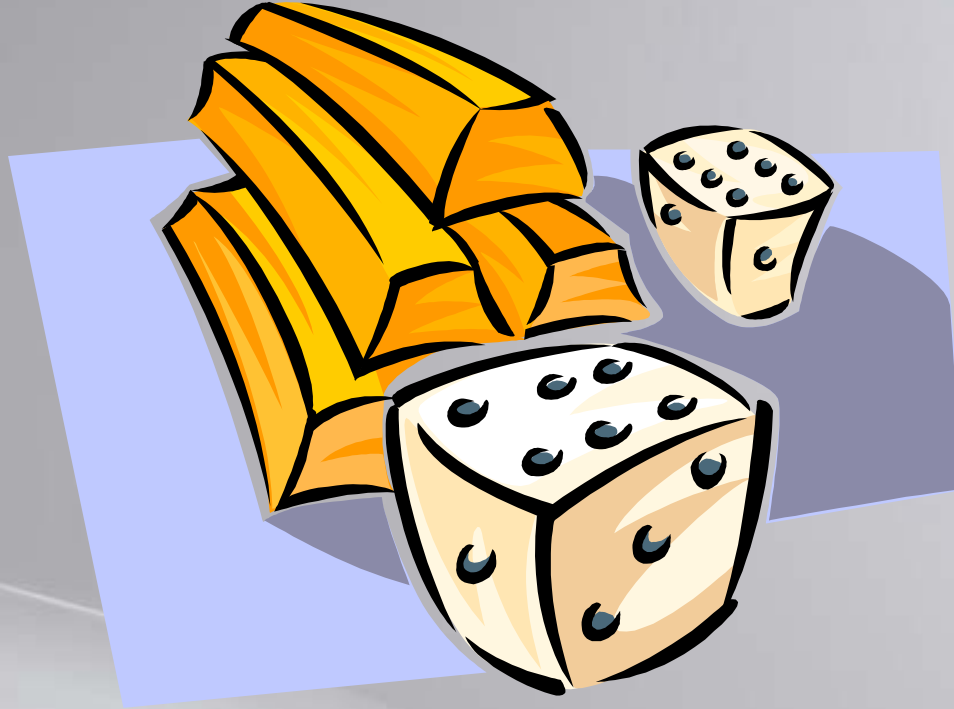
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Owners' Policies



**Protect Against Cleanup Costs, Litigation,
even Business Interruption.**

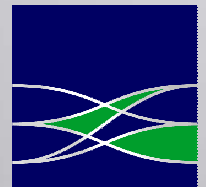
Cost-Cap or Stop Loss Policies



Take Risk Out of Remediation

Cost Cap Policies:

- **Covers cost overruns of remedial plans approved and in progress**
- **Protects new owners from financial losses; helps developers/current owners attract buyers**
- **Helps lender by protecting borrower's cash flow and value of collateral**

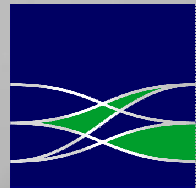


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Cost Cap – Two Options

Coverage A - pays cleanup cost overruns for problems already defined

Coverage B - pays cleanup costs for newly discovered contamination (optional)



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Cost Cap Policies - Typical Program

Minimum Self-Insured Retention(SIR)

\$1,000,000

Limits Up To:

Each site - \$100 Million

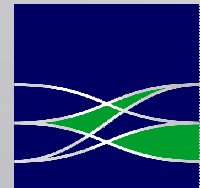
Aggregate - \$100 Million

Terms up to:

10 years

Minimum Premium

\$45,000



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Wachovia Brownfield Contact

Jane Bolin

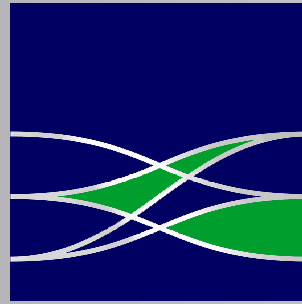
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